

Message Text

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PAGE 01 GUATEM 03895 111706Z

62

ACTION EB-11

INFO OCT-01 ARA-16 ADP-00 AGR-20 CIAE-00 COME-00 INR-10

LAB-06 NSAE-00 RSC-01 STR-08 TRSE-00 CIEP-02 OMB-01

L-03 EA-11 EUR-25 RSR-01 /116 W

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R 111500Z AUG 73

FM AMEMBASSY GUATEMALA

TO SECSTATE WASHDC 0538

INFO AMEMBASSY MANAGUA

AMEMBASSY SAN JOSE

AMEMBASSY SAN SALVADOR

C O N F I D E N T I A L GUATEMALA 3895

E.O.11652: GDS

TAGS: ETRD, GT

SUBJECT: COTTON EXPORT CONTRACTS

REF: MANAGUA 3297 AND 3375

1. U.S. CITIZEN WHO BUYS GUATEMALAN COTTON FOR THREE JAPANESE AND ONE BRITISH COMPANY TOLD AGATT THIS WEEK THAT IN HIS OPINION GUATEMALAN COTTON INDUSTRY FACES QUOTE POTENTIALLY MOST EXPLOSIVE SITUATION IN 21 YEARS THAT I HAVE DONE BUSINESS HERE UNQUOTE.

2. THIS BROKER SAID THERE ARE STRONG RUMORS THAT SOME GUATEMALAN COTTON GROWERS ARE QUOTE NOT SURE UNQUOTE THEY WILL DELIVER 1973-74 CROP COTTON ALREADY PURCHASED BY EXPORTERS BUT WANT TO RENEGOTIATE CONTRACTS. WORLD TRADE ALREADY HAS LOST SOME CONFIDENCE IN GUATEMALA, HE SAID, WHILE EL SALVADOR HAS GAINED STATURE BECAUSE GROWERS THERE HAVE DECLARED INTENTION OF DELIVERING AT AGREED-UPON TERMS. HE SAID THAT, AS CONSEQUENCE, SALVADORANS ARE NOW SIGNING FUTURES CONTRACTS FOR 1974-75 COTTON AT UP TO 60-61 CENTS/LB. WHILE OFFERS FOR GUATEMALAN FUTURES ARE ONLY 52-53 CENTS.

CONFIDENTIAL

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PAGE 02 GUATEM 03895 111706Z

3. BROKER SAID MAJORITY OF HIS BIG SUPPLIERS HAVE ASSURED

HIM OF DELIVERY AT NEGOTIATED TERMS BUT THAT QUOTE SMALL SEGMENT, 10 OR 15 PERCENT OF INDUSTRY, CAN DAMAGE GUATEMALA'S EXPORT IMAGE UNQUOTE. HE SAID THIS MINORITY THREATENS TO ASK FOR LEGISLATION SETTING MINIMUM EXPORT PRICE IF DEMANDS FOR RENEGOTIATION NOT MET, BUT SAID ALSO THAT HE DOES NOT BELIEVE COOLER HEADS IN CONGRESS WOULD ADOPT SUCH LEGISLATION EVEN IF REQUESTED. NO SUCH REQUEST HAS BEEN MADE SO FAR AS HE KNOWS.

4. ANOTHER COTTON INDUSTRY SOURCE SAYS GROWERS' CONTRACTS FOR EUROPEAN FERTILIZER AND PESTICIDES WERE RENEGOTIATED UPWARD, BOOSTING THEIR PRODUCTION COSTS, AND SO THEY FEEL THEY CAN REPLY IN KIND.

5. FOUR-NATION CENTRAL AMERICAN COTTON PRODUCERS FRONT (FRECAPA) WHICH MET IN GUATEMALA IN JUNE ESTIMATED THAT DOLLAR DEVALUATION HAD COST COTTON INDUSTRY \$70 MILLION. FRECAPA SAID 65 PERCENT OF ITS COTTON IS EXPORTED TO JAPAN AND 25 PERCENT TO EUROPE AND IT INTENDED TO INSIST UPON RENEGOTIATION OF 1973-74 SALES CONTRACTS IN EFFORT TO RECOVER LOSS.

6. COMMENT: BROKER'S STATEMENTS ABOUT WORLD TRADE LOSS OF CONFIDENCE IN GUATEMALA AND ATTRACTIVE FUTURES OFFERS TO SALVADORANS MAY WELL BE OVERSTATED.
BOWDLER

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